

## **Speech by Sir Roy McNulty, Chair of Advantage West Midlands**

First of all let me start by saying what a pleasure it is to be talking to you today, at this my first annual conference as Chair of Advantage West Midlands.

I've been fortunate enough to be presented with many new and interesting challenges during my career – initially with Short Brothers/Bombardier, then with NATS and the CAA, and now as chair of ILEX URC Ltd, the urban regeneration company for Derry-Londonderry, as well as being deputy chairman of the London 2012 Olympic Delivery Authority.

As I've taken on each new challenge, I've found the first few months to be a fascinating time; a time for listening, a time for learning; for shaping thoughts and developing priorities; and a time for posing questions – I know from experience that it is foolish for me to imagine that I have the answers to complex problems after a couple of months, but what I do try to focus on is finding the right questions. And in a few moments, I'll touch on some of the questions which are in my mind so far as I look at the economy of the West Midlands.

But first of all, let me say what excellent jobs the Regional Minister and Mick Lavery are doing for the region. I have seen first-hand the successes they both outlined for you this morning - from the excellent work of the Taskforce through to the impressive progress on New Street station.

I can say hand on heart that you'll struggle to find two greater champions for the West Midlands region. Their energy and drive is clear for all to see. I heartily applaud all the achievements of recent years - achievements which many of you in this room will have played a key role in delivering. The positive impact of which we will be seeing on the bottom line, on GVA, on GDP, on our region's economic development, on the lives of our citizens.

But let me put to you a few of the questions which are on my mind. First of all, although the Government, AWM, and many of you, are doing positive things, are we really headed towards where we want to go? Are we taking the West Midlands towards a time of greater prosperity?

There are in my view four facts which paint a stark picture of where this region stands today

1. West Midlands unemployment figures are today the highest in the UK
2. The economic output gap of the West Midlands - caused by the region's lower economic output per head of population - has risen from a figure which was estimated at £10 billion in 2005 to a current estimate of nearly £15 billion in 2007
3. In terms of level of GVA per head, the West Midlands fell below the UK average in the mid-1970s and has never regained that position

4. Between 1998 and 2007 average annual growth in GVA per head in the West Midlands was the slowest of any UK region;

The result of this latter trend is shown in this graph – the West Midlands GVA per head is represented by the red line which trends gradually but consistently downwards, relative to other regions.

I ask again ...Are we really headed towards where we want to go?

Or is it time - as I suspect it is - to take a good look at the bigger picture, and ask ourselves - what do we need to do reverse the relative decline of this region?

Not so very long ago this was a region heralded as the workshop of the world, the stamping ground of the Lunar Society; a region with big ideas; a region of innovators, of creators; a region with a track record of invention and ingenuity. It can be so again.

I think it is obvious to all of us that today we face a major challenge in dealing with the issues which have arisen in this region due to the recession. But the recession has also underlined emphatically the longer term challenges which were there already, and which are well articulated in the WMES - the challenges in Skills, Enterprise, Innovation, Economic Inclusion, and Infrastructure (especially Transport). These challenges have been identified and understood for quite a long time.

And there has also been an understanding for quite a long time of the need to diversify the region's economy, and reduce its dependence on the automotive sector. Which is not to say that automotive is bad - in many ways, it is the jewel in the crown, but we all know that having too many of your eggs in one basket is not an ideal strategy.

But another question that has struck me since I came here is - if we face a significant economic challenge here in the West Midlands, and if we have a good understanding of the issues which need to be addressed, how come we are not making better progress?

And that leads me on to two other related questions. If, as I believe it to be the case, we have a well-researched and sensible strategy in our existing WMES.

1. Is the WMES being pursued with the focus, intensity and resources required to change the pattern of relative decline?

(In the light of my opening comments, you can take it that I believe that the Government, AWM, and our partners are doing useful things with the resources we've got; however, should we not be asking ourselves what would it take to fix the problem?)

2. Do we really have the Leadership, Energy, Relationships and Structures which would be needed to change that pattern?

(Have we really got our act together?)

In thinking about that last question, I am reminded of that story from the American Civil War, of the Union general who was expecting to engage in battle with the Confederates within a day or two. Recognising that he didn't know very much about the preparations the enemy were making, he sent two scouts over the ridge at night to observe the Confederates. In the morning, the scouts returned - with a very short message - "We have seen the enemy, and it is us!".

Now there is one thing I should make clear at once. I am not stupid enough, or brave enough, to suggest that that message has anything to do with any of us individually in this room. I don't even believe it has anything to do with the individual organisations and institutions we belong to. I do believe it has a great deal to do with the way those organisations and institutions work together in this region and with the lack of sufficient focus and intensity in the way we apply our efforts.

And, while I am at it, I should make another thing quite clear. I am not running this region down. I am here as a champion and a friend of this region, but good friends are candid.

This is a region with tremendous assets - location, engineering skills (especially automotive), finance, business & professional services, IT, Universities, tourism etc. But that list of assets begs again one further question - why are we not making more from such a set of strengths? Strengths which many other regions would give their right arms for.

So these are some of the questions in my mind, and I hope that, in a few minutes time, we can have a debate about the barriers which have been preventing this region from moving forward as we all would wish.

But I would like to finish off this part of my address with a statement of confidence.

I draw confidence from the strengths I just mentioned. I draw confidence from the fact that so many of the people I have talked to so far recognise the need for change. I draw confidence from the fact that we know what needs to be done.

We know we have to:

- raise the level of entrepreneurial activity
- encourage much greater levels of innovation in companies
- improve the skills base of our workforce
- reduce the level of worklessness in the working age population
- minimise transport congestion and the associated economic costs, and

- ensure that both wealth generation and distribution are more even across the region

By doing these things, we will support business growth, grow the regional economy, and close the output gap - a gap now estimated to have grown to nearly £15bn. I also draw confidence from the fact that we will shortly establish formally the Joint Strategy & Investment Board - a new partnership between the region's Local Authorities and the region's Business Community. And I believe that this JS&IB can form the nucleus of the powerful guiding coalition this region needs.

Meeting for the first time in November 2008, the first task of the shadow JS&IB was the formulation, development and submission to Government, in March 2009, of the West Midlands Regional Funding Advice 2009-19. Providing advice, agreed by all concerned, on £800m of West Midlands' Investment Priorities across transport, housing, regeneration, economic development and skills. A taste of what can be achieved when we set aside individual agendas.

If we take the time and care to structure the JS&IB to succeed - we can set in train a new era of much stronger partnership working - at both a strategic and local level. And when I speak of structuring the JS&IB to succeed, I mean setting it up so that it helps provide the West Midlands with the Leadership, Energy, Relationships and Structures that we need.

As a region we have previously demonstrated our ability to reach consensus – through both the development of the WMES and the Regional Spatial Strategy. We now need to take the same approach in creating a single integrated regional strategy. This is our opportunity to demonstrate our commitment to regional alignment. Again difficult decisions will need to be made for the greater good of the region if we are going to implement a strategy capable of delivering the results we want.

I strongly endorse what Cllr Ken Taylor, Chairman of the new West Midlands Leaders Board, said last week: "There's no room for small town politics here – we've got to think clearly and strategically and be prepared to make some potentially tough decisions if we're to succeed as a Region. We haven't done enough of that in the past, and other regions have benefited as a result of what – frankly – has been a fragmented approach to some key issues."

I am sure that most of us in this hall would join with our Local Government Leaders in these sentiments. These last 18 months have been extremely difficult to weather for many across the region. We've had a taste of just how bad it could get for this region, if we don't take action and address this region's weaknesses.

We can only make a difference if we understand what our barriers to change are - and work together to remove them. Do we have the right leadership? Do we have the energy? Do the relationships, partnerships and other structures exist to deliver change and deliver it at the right pace for growth?

This is your opportunity to tell you - an opportunity to help shape this region's future.

We all have to believe that a strong West Midlands means a strong Coventry, a strong Stoke-on-Trent, a strong Hereford and a strong Birmingham – if we don't we'll all leave this room today and nothing will change.

We recognise that there are some things that may be done better locally and some better done nationally – but to connect it all together and really make an impact we also need to look at things at a regional level.

We also need to have the right connections with business. It is, after all, our business community which has the ability to grow our regional economy. Our collective role is to create the right conditions for that business growth. To create those conditions, regional business needs to be at the table and playing its full part.

And all of this was clearly set out in the WMES, the regional economic strategy which launched in December 2007. Is it time to reaffirm the importance of the West Midlands Economic Strategy? I think it is exactly the right time.

It is those weaknesses articulated within the strategy which exposed this region to such a battering during the recession - the region's over reliance on automotive, the low levels of business innovation and growth of new enterprises, the lack of skills relevant to high-value added jobs, and the lack of a culture of lifelong learning.

But having the right strategy is one thing. Translating that strategy into the right results is something different, and this is where we need to focus our attention. I read recently an excellent book about the Lunar Men, that extraordinary group of friends and experimenters who launched the industrial revolution, from this area.

And a phrase, said to have been uttered by Erasmus Darwin in the 1760's, stuck in my mind "The world was not governed by the clever men, but by the active and energetic".

Arguably, it is the "clever" people that develop strategies, but it is the "active and energetic" people who deliver the results. The Lunar Men recognised that you have to make things happen. We have a serious need now for active and energetic people, and organisations, to deliver the results we want in this region – for I don't believe our difficulties stem from a lack of strategies, but more from a shortfall in action and execution.

The Joint Strategy and Investment Board will certainly have a key role to play in helping to spark that activity and energy, and encourage the economic development and regeneration which this region sorely needs.

Regeneration is renewal. To really make a difference and regenerate the West Midlands' economic performance a renewal of focus is required, a renewal of promises, of commitment, a renewed strength and energy.

Most importantly - a renewal of ideas. And that's what I'm hoping for from you today. I am not looking for all the answers but I am hoping we can get a better understanding of the barriers to this region working in a way which can change trends.

We have a WMES which sets out how we can close the output gap. We have a room full of regional partners with access to the resources we need to deliver it. What is standing in our way?

As so now it is your turn. We invite you to join the debate to determine what are the barriers to success in this region.

I have great pleasure in handing you over to the very capable Angela Maxwell, our leader for this morning's debate.

Thank you.